

On September 15, 1999, the Austrian Federal Finance Ministry contacted the Department of the Treasury, Office of Budget, concerning the U.S. budget process. In particular, they wanted to know about the degree of independence and flexibility the various Departments have in executing their budget. Following is an excerpt of Carl Moravitz' (Departmental Budget Director) response:

The most direct answer is that Congress, in appropriating funding to Federal Department's and Agencies, provides significant direction and funding earmarks for that funding and does not provide full empowerment to Departments and Agencies to spend those funds as they choose with no supervision.

Actually, there has been no change in the Federal budget process as you noted that gives funds to the 13 Cabinet Departments and Independent Agencies with full blanket authority to use it with no strings attached. The current process does have strings attached to it and is rooted in the Budget and Accounting Act of 1921 (as amended in 1950), that is permanently set out in Chapter 1500 of Title 31 of the United States Code. There have been some changes in the legislation since 1950, however, those changes have been minor. This legislation sets in place elaborate accounting and reporting procedures within Federal Departments and Agencies, to the Central Management Agency for the U.S. Government (Office of Management and Budget), and to the Congress. It also governs the manner of oversight and the follow-on evaluation of compliance with Congressional funding directions.

Funds are appropriated to Cabinet Departments (Treasury, Defense, State, etc.), usually, in a broad array of separate appropriation accounts that are programmatically arrayed . . . in Treasury, for example, some individual accounts are as small as \$4 million, others as large as \$3 billion.

As an example, in Treasury's \$12.7 billion appropriated funds for Fiscal Year 2000 (October 1, 1999-September 30, 2000), there are approximately 30 separate appropriation accounts that make up the \$12.7 billion total. When Congress appropriates the funds, it provides in 30 individual and separate pieces that total the \$12.7 billion. Except in very special situations, Federal managers are not permitted to move the funds around between the 30 separate accounts. Chapter 1500 of Title 31 of the United States Code sets out the procedures for how Federal managers are to spend and manage the funds provided to them by Congress annually.

The appropriation array (for which Treasury has approximately 30) is different for all Cabinet Departments, but they are generally consistent with the individual programs that the Departments support. Treasury's appropriation is divided into such program areas as: Tax collection responsibilities, processing of incoming passengers and imported cargo, production of coins and currency, protection of the President and the Vice President, as well as Heads of State and other dignitaries visiting the United States, management of the public debt, training of law enforcement personnel.

Congress does recognize that there are significant management challenges related to running a major Department or Agency and has provided, in its annual funding, special legislative provisions that provide some flexibility to move funds around among the appropriation categories it enacts in annual funding

legislation. They are different for each Department and generally reflect the type of flexibility that each individual program needs to carry on its mission throughout the year. For Treasury, those flexibilities consist of:

1. Ability to reprogram "within an appropriation" up to 10% of the funding between types of costs -- personnel costs, travel, equipment, supplies, contracts, rent costs -- without Congressional review. Additional amounts above 10% are also permitted, but this additional action requires advance approval by the Congressional Committee that oversees Treasury.

2. For the Internal Revenue Service, which has its \$8 billion appropriation, its funding is divided into four individual appropriation accounts. Therefore, special flexibility is provided to the Agency by the Congress to transfer up to 5 percent of the funding between the four appropriations provided by the Congress, but only with advance approval of the Congressional Committee that oversees Treasury.

3. Similar authority is provided for the Law Enforcement agencies in Treasury (such as the Customs Service; Alcohol, Tobacco & Firearms; Secret Service). This authority is similar, but is limited to 2 percent and also requires advance approval of the Congressional Committee that oversees Treasury.

4. Similar authority is also provided for the Management accounts in Treasury at a similar 2 percent transfer level, also with advance approval of the Congressional Committee that oversees Treasury.

There have been some changes in the Congressional budget process that set out funding ceilings in law in advance of setting appropriations for all the Federal Department's and Agencies. Those ceilings are macro numbers in the legislation for a particular year -- such as \$535 billion for spending ceilings of all Federal Departments and Agencies. The Congress at the beginning of the year, meets with its specific jurisdictional committees (13) that are responsible for overseeing and appropriating funds to all Departments and Agencies and divides up the funding (or carves the pie, so to speak). In this process, much empowerment has been provided to the Congress in allocating funding down to its various jurisdictional committees, however, once the individual committees start their work, they provide the funding to Agencies in many different appropriations, with many selected restrictions and earmarks.

It's possible that your question may have surfaced an awareness of the significant empowerment that exists in the U.S. Congress that appropriates the funding, in which that refers to the discussion in the previous paragraph."